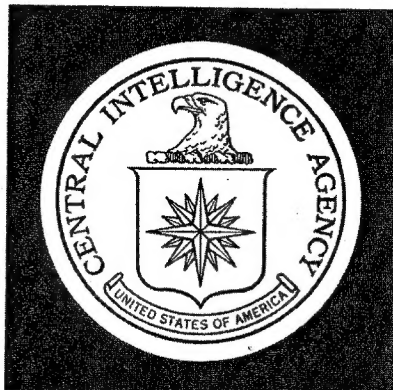


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DIRECTORATE OF
INTELLIGENCE

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WEEKLY SUMMARY

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EURATOM DEBATES NPT SAFEGUARDS

The position of EURATOM, in connection with the proposed nuclear nonproliferation treaty (NPT), has become crucial to the success of the current effort to prevent the spread of nuclear weapons.

In order to prevent the diversion of fissionable materials to weapons uses, the proposed NPT would put the peaceful nuclear activities of nonnuclear signatories under the safeguard system administered by the International Atomic Energy Agency (IAEA). The NPT thus impinges upon the purview of EURATOM, since safeguarding within the Community is a function of the EURATOM Commission and is in fact a prime example of EURATOM's supranational status. Its inspections apply to the civilian nuclear installations of all the members, including those of France. By contrast, France--as a nuclear power--would be exempt from the safeguards projected by the NPT.

For most of the EURATOM members, the preservation of the Community safeguards system is important not only to EURATOM, but to the whole European integration movement, which is based on the principle of equal treatment of the members. The dilemma is to reconcile this with the need, which they also recognize,

for an effective international inspection system as part of the NPT. While five of the EURATOM countries are willing to try to work out something with IAEA, even the Dutch, who are the most favorably inclined toward this, have asserted that their first obligation is to EURATOM.

The French, however, are a complicating factor. Although they do not intend to sign the NPT, they have nevertheless seemed to welcome it--because it would further restrict West Germany and because to oppose it might hurt Paris' relations with Moscow. On the other hand, Paris has consistently rejected the idea of IAEA "intrusion" into EURATOM affairs. Thus, the French--if they do not want the safeguards issue to block the NPT--would face the prospect of having to let EURATOM work out an arrangement with IAEA. This would give the EURATOM Commission a "political" role which De Gaulle has always wanted to avoid giving to Community institutions. Moreover, any eventual compromise would involve some modification of the present EURATOM safeguards inevitably having at least an indirect application to the French.

Whether the EURATOM Commission will be able to pick its

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way through these conflicting currents is difficult to say. Earlier this week, it offered to negotiate with the IAEA an agreement whereby IAEA would "verify" the effectiveness of EURATOM's safeguard system, but it categorically rejected the US proposal that IAEA controls would apply in the Community in the event no such agreement is reached within three years. As a counter-proposal, the commission suggested

that if the safeguard question remained unresolved it should be part of the projected general review of the NPT after five years. This position has the support of the five other EURATOM members, but only the tacit consent of the French, and the US mission cautions that there are signs of growing French opposition to the role the commission is playing in trying to find such a compromise.

SOVIET INDUSTRIAL GROWTH REGISTERS UPTURN IN FIRST QUARTER

Current estimates indicate that Soviet industrial output rose more sharply during the first quarter of 1967 than in any similar period in almost two years. There was an estimated rise of 8 1/2 percent in industrial output excluding military machinery and military items, and probably a somewhat larger increase in total industrial output. The increase was accounted for mostly by marked rises in

the production of machinery and commercially processed foods. The upturn in foods production largely reflects last year's good harvest and does not necessarily reflect a permanent trend. Nevertheless, this upturn, taken together with the increasing output of soft goods and consumer durables, suggests that the USSR's 50th anniversary year may well be a good one for the consumer.

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